

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of the
Westfield
Contributory Retirement System
For the Three Year Period
January 1, 1999 - December 31, 2001
PERAC 01: 09-095-33**

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October 28, 2003

The Public Employee Retirement Administration Commission has completed an examination of the **Westfield** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **1999** to December 31, **2001**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Harry Chadwick and Robert Madison who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton
Executive Director

Westfield Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

- A. OUTSTANDING CHECKS.** The Westfield Retirement System has a balance of \$3,358.45 representing twelve outstanding payroll checks dating back to 9/30/99 and seven manual outstanding checks of \$54.67 dating back to 4/28/00.

Recommendation. Checks outstanding for more than six months must be reviewed to determine if the retiree is still eligible to receive the retirement checks. This review should include letters to retirees requesting information as to the status of the uncashed checks. The retirees should be given at least 30 days to respond. Only after these procedures are followed may the checks be returned back to the system.

Board Response:

No listing of these outstanding lists were given to the staff to review, however, as of 9/30/03 the outstanding checks were reviewed. It was found that the following were outstanding:

Date Issued – 5/30/03	165.96
Date Issued – 6/30/03	577.83
Date Issued – 7/31/03	600.18

These retirees were notified regarding these checks and asked to be in touch if they do not have them. There are an additional 4 checks issued in 8/03 and of course a number in 9/03, but none of these were notified.

- B. ANNUITY RESERVE INTEREST.** The method of calculating Annuity Reserve Interest (ARI) in 1999 and 2000 was correct; however, 2001 was incorrectly calculated.

Recommendation. The retirement system must use the correct method of calculating the ARI for 2001 and make the necessary adjusting entry of \$2,430.36 to correct the balances.

Board Response:

The interest calculation was corrected and the adjusting entry was made while the auditors were here.

Final Determination:

PERAC auditors will follow-up in six (6) months to ensure appropriate actions have been taken regarding all findings.

Westfield Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER			
ASSETS	2001	2000	1999
Cash	\$9,560,486	\$5,781,365	\$5,592,215
Short Term Investments	0	0	1,897,184
Fixed Income Securities (at book value)	36,992,044	39,566,234	36,443,303
Equities	34,099,112	35,397,520	36,374,244
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	18,412,771	18,221,843	15,775,063
Pooled International Equity Funds			
Pooled Global Equity Funds			
Pooled Domestic Fixed Income Funds			
Pooled International Fixed Income Funds			
Pooled Global Fixed Income Funds			
Pooled Alternative Investment Funds			
Pooled Real Estate Funds			39,620
Pooled Domestic Balanced Funds			
Pooled International Balanced Funds			
PRIT Cash Fund			
PRIT Core Fund			
Interest Due and Accrued	405,797	452,657	405,641
Accounts Receivable	2,524,442	3,409,544	277,247
Accounts Payable	(3,180,210)	(3,860,291)	(2,137,412)
TOTAL	<u>\$98,814,443</u>	<u>\$98,968,872</u>	<u>\$94,667,105</u>
FUND BALANCES			
Annuity Savings Fund	\$24,233,210	\$22,696,961	\$20,966,728
Annuity Reserve Fund	6,106,408	5,764,143	5,507,602
Pension Fund	17,312,439	17,541,089	17,767,572
Military Service Fund	235	231	226
Expense Fund	0	0	0
Pension Reserve Fund	51,162,151	52,966,450	50,424,978
TOTAL	<u>\$98,814,443</u>	<u>\$98,968,872</u>	<u>\$94,667,105</u>

Westfield Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (1999)	\$19,526,489	\$5,489,247	\$17,938,629	\$221	\$0	\$42,725,525	\$85,680,111
Receipts	2,588,747	160,070	4,458,206	5	651,499	7,698,480	\$15,557,008
Interfund Transfers	(531,493)	533,627	(3,106)	0	0	973	(\$0)
Disbursements	(617,016)	(675,342)	(4,626,156)	0	(651,499)	0	(\$6,570,014)
Ending Balance (1999)	20,966,728	5,507,602	17,767,572	226	0	50,424,978	\$94,667,105
Receipts	2,769,714	166,471	4,660,806	5	704,327	2,545,394	\$10,846,717
Interfund Transfers	(820,557)	829,164	(4,684)	0	0	(3,923)	(\$0)
Disbursements	(218,924)	(739,093)	(4,882,606)	0	(704,327)	0	(\$6,544,950)
Ending Balance (2000)	22,696,961	5,764,143	17,541,089	231	0	52,966,450	\$98,968,872
Receipts	2,901,242	179,107	5,047,964	4	682,630	(1,806,761)	\$7,004,186
Interfund Transfers	(960,115)	957,867	(215)	0	0	2,462	(\$0)
Disbursements	(404,879)	(794,708)	(5,276,399)	0	(682,630)	0	(\$7,158,616)
Ending Balance (2001)	<u>\$24,233,210</u>	<u>\$6,106,408</u>	<u>\$17,312,439</u>	<u>\$235</u>	<u>\$0</u>	<u>\$51,162,151</u>	\$98,814,443

Westfield Retirement System

STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER 31,			
	2001	2000	1999
Annuity Savings Fund:			
Members Deductions	\$2,311,826	\$2,155,343	\$2,024,338
Transfers from other Systems	68,834	110,881	115,690
Member Make Up Payments and Redeposits	106,555	72,673	27,835
Investment Income Credited to Member Accounts	<u>414,027</u>	<u>430,817</u>	<u>420,884</u>
Sub Total	<u>2,901,242</u>	<u>2,769,714</u>	<u>2,588,747</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	<u>179,107</u>	<u>166,471</u>	<u>160,070</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	92,187	80,570	72,792
Received from Commonwealth for COLA and Survivor Benefits	476,003	481,411	484,314
Pension Fund Appropriation	<u>4,479,774</u>	<u>4,098,825</u>	<u>3,901,100</u>
Sub Total	<u>5,047,964</u>	<u>4,660,806</u>	<u>4,458,206</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>4</u>	<u>5</u>	<u>5</u>
Sub Total	<u>4</u>	<u>5</u>	<u>5</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>682,630</u>	<u>704,327</u>	<u>651,499</u>
Sub Total	<u>682,630</u>	<u>704,327</u>	<u>651,499</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	90,812	107,397	73,774
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	2,846	3,362	7,769
Excess Investment Income	<u>(1,900,418)</u>	<u>2,434,636</u>	<u>7,616,937</u>
Sub Total	<u>(1,806,761)</u>	<u>2,545,394</u>	<u>7,698,480</u>
TOTAL RECEIPTS	<u>\$7,004,186</u>	<u>\$10,846,717</u>	<u>\$15,557,008</u>

Westfield Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER			
Annuity Savings Fund:	2001	2000	1999
Refunds to Members	\$112,796	\$152,763	\$272,344
Transfers to other Systems	<u>292,083</u>	<u>66,161</u>	<u>344,672</u>
Sub Total	<u>404,879</u>	<u>218,924</u>	<u>617,016</u>
Annuity Reserve Fund:			
Annuities Paid	721,149	674,272	635,005
Option B Refunds	<u>73,559</u>	<u>64,821</u>	<u>40,337</u>
Sub Total	<u>794,708</u>	<u>739,093</u>	<u>675,342</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	3,619,826	3,351,773	3,171,517
Survivorship Payments	409,823	360,437	184,352
Ordinary Disability Payments	11,917	21,665	34,251
Accidental Disability Payments	958,783	861,300	815,313
Accidental Death Payments	122,921	127,596	123,513
Section 101 Benefits	52,188	52,308	189,018
3 (8) (c) Reimbursements to Other Systems	100,942	107,526	108,190
State Reimbursable COLA's Paid			
Chapter 389 Beneficiary Increase Paid			
Sub Total	<u>5,276,399</u>	<u>4,882,606</u>	<u>4,626,156</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	15,025	18,000	18,000
Salaries	96,792	92,715	88,358
Legal Expenses	0	624	4,280
Medical Expenses	0	0	20
Travel Expenses	5,602	5,343	5,693
Administrative Expenses	11,273	12,340	11,865
Furniture and Equipment	1,806	0	4,468
Management Fees	488,702	514,193	426,822
Custodial Fees	63,430	61,110	91,994
Consultant Fees	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>682,630</u>	<u>704,327</u>	<u>651,499</u>
TOTAL DISBURSEMENTS	<u>\$7,158,616</u>	<u>\$6,544,950</u>	<u>\$6,570,014</u>

Westfield Retirement System

INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER			
	2001	2000	1999
Investment Income Received From:			
Cash	238,460	354,149	241,171
Short Term Investments	0	145,781	76,968
Fixed Income	2,775,041	2,968,145	2,522,769
Equities	418,030	343,504	513,490
Pooled or Mutual Funds	1,767,492	144,578	137,369
Commission Recapture	<u>10,693</u>	<u>8,252</u>	<u>10,722</u>
TOTAL INVESTMENT INCOME	<u>5,209,717</u>	<u>3,964,408</u>	<u>3,502,489</u>
Plus:			
Increase in Amortization of Fixed Income Securities	646,402	1,572,503	89,420
Realized Gains	2,491,704	5,484,303	5,498,192
Unrealized Gains	5,178,234	7,193,938	9,782,020
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>405,797</u>	<u>452,657</u>	<u>405,641</u>
Sub Total	<u>8,722,137</u>	<u>14,703,402</u>	<u>15,775,273</u>
Less:			
Decrease in Amortization of Fixed Income Securities	(352,287)	(86,349)	(1,407,041)
Paid Accrued Interest on Fixed Income Securities	(372,235)	(594,262)	(422,937)
Realized Loss	(6,005,162)	(5,445,795)	(5,811,471)
Unrealized Loss	(7,374,162)	(8,399,508)	(2,428,381)
Custodial Fees Paid			
Consultant Fees Paid			
Management Fees Paid			
Board Member Stipend			
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(452,657)</u>	<u>(405,641)</u>	<u>(358,537)</u>
Sub Total	<u>(14,556,503)</u>	<u>(14,931,555)</u>	<u>(10,428,367)</u>
NET INVESTMENT INCOME	<u>(624,650)</u>	<u>3,736,254</u>	<u>8,849,396</u>
Income Required:			
Annuity Savings Fund	414,027	430,817	420,884
Annuity Reserve Fund	179,107	166,471	160,070
Military Service Fund	4	5	651,499
Expense Fund	<u>682,630</u>	<u>704,327</u>	<u>5</u>
TOTAL INCOME REQUIRED	<u>1,275,768</u>	<u>1,301,619</u>	<u>1,232,459</u>
Net Investment Income	<u>(624,650)</u>	<u>3,736,254</u>	<u>8,849,396</u>
Less: Total Income Required	<u>1,275,768</u>	<u>1,301,619</u>	<u>1,232,459</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>(\$1,900,418)</u>	<u>\$2,434,636</u>	<u>\$7,616,937</u>

Westfield Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$9,560,486	\$9,560,486	9.65%	100
Short Term	0	0	0.00%	100
Fixed Income	36,992,044	36,992,044	37.34%	40 - 80
Equities	34,099,112	34,099,112	34.42%	40
Pooled Short Term Funds	0	0	0.00%	
Pooled Domestic Equity Funds	18,412,771	18,412,771	18.59%	
GRAND TOTALS	<u>\$99,064,414</u>	<u>\$99,064,414</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2001**, the rate of return for the investments of the **Westfield** Retirement System was -3.05%. For the five year period ending December 31, **2001**, the rate of return for the investments of the **Westfield** Retirement System averaged 8.87%. For the seventeen-year period ending December 31, **2001**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Westfield** Retirement System was 10.81%.

Westfield Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

The **Westfield** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

September 1, 1988

- 20.03(1) Equity investments shall not exceed 60% of the total book value of the portfolio at the time of purchase.
- 20.3(2) At least 30% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year.

November 17, 1988

- (1) Real estate investments shall not exceed 2% of the total book value of the portfolio at the time of purchase and shall consist of real estate trusts and partnerships, provided that:
 - (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a limited partner be required to participate in the selection of a general partner, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and
 - (b) such trustees or general partners retain authority in the decision making process, and
 - (c) such an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

September 14, 1989

- (1) Real estate investments shall not total more than \$600,000 at the time of purchase and shall consist of real estate trusts and partnerships, provided that:
 - (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a trust participant or limited partner be required to participate in the selection of a trustee or general partner, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and
 - (b) such trustees or general partners retain authority in the decision making process, and
 - (c) should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

Westfield Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

(Continued)

February 4, 1992

20.04(6) Non-United States based corporations and foreign government bonds provided such securities are denominated in the United States Currency, are listed on a United States exchange or traded over the counter in the United States, and provided further that the total of such securities not exceed 10% of the market value of the portfolio.

April 7, 2000

16.08 In accordance with PERAC Investment Guideline 99-2, the Westfield Retirement Board may invest in the Loomis Sayles Investment Trust Small Company Value Fund. Investment in this commingled fund represents a modest modification to the System's existing investment mandate with Loomis Sayles, which had been in the form of a small cap value separate account. The commingled fund has the identical investment strategy as the separate account but will serve to reduce custodial and administrative expenses for the System.

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Westfield** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Westfield** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

Affidavits are not acceptable as proof of employment. Official city records such as payroll checks or records, board minutes, official department logs, civil service records, etc. are deemed by the Board to be official.

CETA employees who worked for the City of Westfield and later became City employees can obtain creditable service by make-up payment documented by gross earnings by calendar year and dates of service.

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Part-time employment for membership in the retirement system must be at least twenty (20) hours per week on a regular basis.

Creditable Service for paid Commissioners is determined by pro-rating hours of service as compared to a forty (40) hour work week.

April 1, 1988

Creditable Service up to five (5) years will be granted to reserve police officers and firefighters who continue or establish membership in any Massachusetts Contributory Retirement System regardless of the department of employment.

January 26, 1994

Employees who start employment with the City of Westfield under 20 hours/week and are contributing to FICA and MEDICARE can buy-back this time for creditable service on a prorated basis after they have become eligible for membership by working 20 or more hours/week. This proration will be based on the number of hours worked per week when becoming a member to the average of the hours worked while not a member. Members of the Retirement System who drop under 20 hours/week will continue retirement deductions and will receive full-time creditable service.

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the City Auditor who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Deborah A. Strycharz

Appointed Member: John Kane Term Expires:

Elected Member: Kevin J. Regan Term Expires: 3/2/04

Elected Member: Richard F. Russell Term Expires: 12/30/02

Appointed Member: William Leahy Term Expires: 1/6/03

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex officio Member:)	\$30,000,000
Elected Member:)	Federal, Travelers and Executive Risk
Appointed Member:)	
Staff Employee:)	

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **Public Employee Retirement Administration Commission** as of **January 1, 2001**.

The actuarial liability for active members was	\$73,089,902
The actuarial liability for vested terminated members was	435,677
The actuarial liability for non-vested terminated members was	270,831
The actuarial liability for retired members was	49,303,216
The total actuarial liability was	123,099,626
System assets as of that date were	98,968,872
The unfunded actuarial liability was	\$24,130,754
The ratio of system's assets to total actuarial liability was	80.4%
As of that date the total covered employee payroll was	\$28,227,304

The normal cost for employees on that date was 7.82% of payroll

The normal cost for the employer was 9.83% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum

Rate of Salary Increase: 5.50% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2001

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2001	\$ 98,968,872	\$ 123,099,626	\$ 24,130,754	80.4%	\$ 28,227,304	85.5%
1/1/1999	\$ 86,465,266	\$ 105,605,160	\$ 19,139,894	81.9%	\$ 25,570,908	74.9%
1/1/1997	\$ 62,225,916	\$ 78,462,611	\$ 16,236,695	79.3%	\$ 22,011,622	73.8%
1/1/1994	\$ 43,690,212	\$ 66,186,996	\$ 22,496,784	66.0%	\$ 18,290,683	123.0%

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Superannuation	22	10	18	8	7	20	20	12	16	14
Ordinary Disability	0	1	1	0	0	1	0	1	0	0
Accidental Disability	2	3	1	3	2	3	0	1	4	2
Total Retirements	24	14	20	11	9	24	20	14	20	16
Total Retirees, Beneficiaries and Survivors	427	435	448	451	444	452	458	454	457	455
Total Active Members	697	726	773	792	843	858	899	924	951	957
Pension Payments										
Superannuation	\$2,247,344	\$2,318,985	\$2,426,484	\$2,546,095	\$2,576,107	\$2,818,338	\$3,060,862	\$3,171,517	\$3,351,773	\$3,619,826
Survivor/Beneficiary Payments	122,756	260,450	285,723	310,348	309,186	336,499	178,978	184,352	360,437	409,823
Ordinary Disability	49,265	52,418	66,770	58,972	46,686	46,708	41,824	34,251	21,665	11,917
Accidental Disability	602,700	640,063	660,413	722,803	729,211	784,693	796,585	815,313	861,300	958,783
Other	263,733	130,251	140,697	153,020	267,109	310,459	412,804	420,723	287,431	276,050
Total Payments for Year	\$3,285,798	\$3,402,167	\$3,580,087	\$3,791,238	\$3,928,299	\$4,296,697	\$4,491,053	\$4,626,156	\$4,882,606	\$5,276,399